



INSURE U



ARE YOU OVERWHELMED TRYING TO UNDERSTAND INSURANCE?



**D.C. Department of Insurance,
Securities and Banking
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The Government of the District of Columbia Department of Insurance, Securities and Banking (DISB) regulates financial-service businesses in the District of Columbia to ensure compliance with all D.C. laws and regulations.

LETTER FROM THE COMMISSIONER



Dear District Resident:

I am pleased to share with you this consumer booklet on insurance specifically for established families. This report, which was released at the beginning of the year, is also on our Web site at www.disb.dc.gov.

Many of us are unsure about certain financial and insurance decisions we have to make on a day-to-day basis. That is why the D.C. Department of Insurance, Securities and Banking (DISB), in collaboration with the National Association of Insurance Commissioners, has developed a series of educational materials, under the name, Insure U, to provide you with a step-by-step guide on the type of insurance you need based on your stage in life. Young singles is the first installment. It is followed by young families, established families and seniors/empty nesters.

As the District's premier financial regulator, DISB is undergoing an exciting transformation as it continues to be more consumer-oriented and transparent in its operations.

I hope you find this booklet informative, easy to read and valuable. This booklet is the first step toward feeling "smart" about insurance. We look forward to your feedback and your continued support of our work to protect the public's interests.

Please contact our office at (202) 727-8000 with questions.

Sincerely,



Thomas E. Hampton
Commissioner

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Advice for Established Families

*Accumulating assets and the futures of children,
becoming more independent*

WHO IS DISB?

The District of Columbia Department of Insurance, Securities and Banking (DISB) offers many programs and resources to help you make informed choices on money matters to protect your financial interests.

What We Do

DISB oversees financial-service providers including insurance companies and agents, investment advisers, broker-dealers, banks, mortgage lenders and brokers, check cashers, money transmitters, money lenders, automated teller machines and consumer credit service organizations.

Contact DISB for the following services:

- File a Complaint or Report Fraud
- Verify that a Financial Institution is licensed with DISB
- Understand Financial Services and Products in the Market

Requests may be made online at www.disb.dc.gov, by e-mail to suggest.DISB@dc.gov or call DISB at (202) 727-8000.

DISB Resources

Most of DISB's consumer resources may be accessed online at www.disb.dc.gov.

- Consumer Tips and Fraud Alerts
- Consumers' Guide to Frequently Asked Questions
- Consumer-Education Campaigns
- Investor-Education Booklets
- *DISPATCH*, bi-monthly consumer newsletter
- *The Capital Connection*, online business newsletter
- DISB's Agency Calendar
- Request a Speaker.

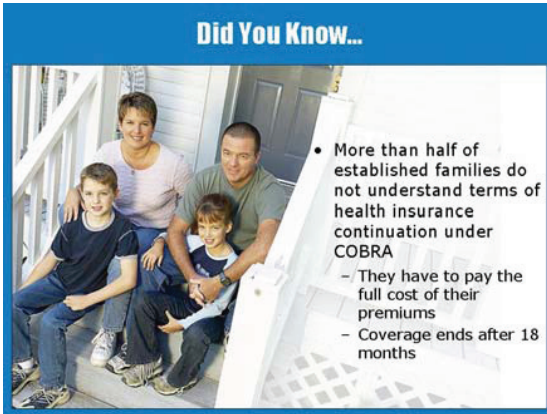
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ABOUT INSURE U

DISB knows that many people have felt overwhelmed in trying to figure out their insurance. Therefore, we are providing some help.

As your state regulator for insurance, DISB and the National Association of Insurance Commissioners (NAIC) have developed



a series of educational materials for you, the consumer. The materials take into account your current life stage and which insurance products you are most likely to need.

Therefore, materials on **YOUNG SINGLES** offer the best guidance for those newly on their own.

Materials on **YOUNG FAMILIES** will be most pertinent to those starting to raise a family.

Teenagers raise new insurance questions so materials are provided to address the needs of

ESTABLISHED FAMILIES.

And **EMPTY NESTERS** will find materials on seniors most helpful.

You have all the information you need right here in easy to understand, everyday terms. This brochure is the first step toward feeling “smart” about insurance.

***Knowledge
is Power***

ESTABLISHED FAMILIES CONSIDERATIONS



As an established family, you may already have many of your basic insurance needs in place, such as life insurance and homeowner's coverage. However, as the value of your home and other assets increase, and as your child or children approach college age, your

financial situation—including your insurance needs—will change.

Consider:

People at this age often begin to ignore their policies. It may be important to periodically review and update your coverage to reflect changes in your financial situation and family composition.

Consider these four types of insurance coverage:

- I. Auto Insurance
- II. Home Insurance
- III. Health Insurance
- IV. Life Insurance

I. Auto: Car Wars



At this life stage, your cute little kids become teen-age drivers, competing with you for the car. In addition—as you enter that mid-life period—your own automotive interests may steer you toward different types of cars than you've previously driven.

- When adding your teen-age driver to your policy, be

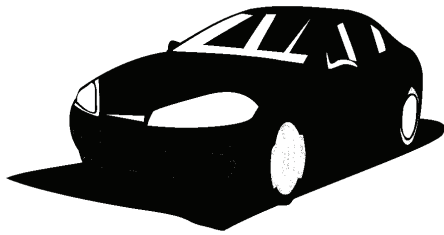
prepared to pay higher auto insurance rates. Although some states do not allow gender differences in auto rates, industry figures show that a teen female driver can cause rates to increase as much as 50 percent, while a young male driver can boost costs by up to 100 percent.

- If you plan to provide your child with an automobile to take to college, check on the need for a separate auto insurance policy.
- At this stage of your life, you may be frantically transporting your kids—and their friends—to sports practices and other after-school activities. Given these chauffeuring responsibilities, you might want to consider increasing your liability insurance in case of an accident.
- Hopefully, your success in the job market is causing your net worth to grow. So you may want to consider purchasing an *umbrella policy* to raise your auto liability coverage, for example to \$1 million, in order to protect your assets.

Here are some tips to prudently control your auto insurance costs:

- When you add a teen driver to your policy, it's a good time to evaluate different auto insurance companies and compare costs, as firms differ in their policies for young drivers.
- If you're planning to purchase a car for your young driver, keep in mind that auto insurance premiums are linked to the type of vehicle driven. If you're buying or leasing a new car, check the insurance rates before you make your final choice. SUVs, convertibles and performance vehicles typically cost more to insure than some other cars.
- Parents of new teen-age drivers should encourage their children to maintain good grades and to take a driver's education class, as these steps may help lower your insurance rates.

- In addition, keep in mind that if your child lives away at school (at least 100 miles) and has less access to the insured vehicle, you may be able to take advantage of insurance discounts.
- Remember that companies often grant discounts to those who are considered “safe drivers,” so try to keep your driving record—and your children’s driving records—free from accidents and moving violations for at least three years, or consider taking a defensive driving course.



II. Home: Home Growth

At this point in your life, your home is very likely your biggest asset—as well as a major cost item in your budget. You may move to a larger house, build an addition or replace that child-stained sofa and inexpensive wall decoration with pricier furnishings and artwork.



- Remember to add home insurance coverage as you enhance the value of your home and acquire expensive possessions like furniture, computers, stereos and television sets.
- You should alert your insurance company when making any major home improvement—usually anything over \$5,000. You will want to update your homeowner's insurance policy to reflect the new enhancement and prevent being underinsured.
- In maintaining your residence you must realize that you are liable for things that happen on your premises. Keep in mind that in many states you could be held legally responsible for the actions of anyone who drinks in your home and then has an accident in your house or after leaving it. Your policy should protect you against lawsuits due to these types of liability issues.
- Remember that backyard items, such as a trampoline or pool, may require you to increase your liability coverage through an umbrella policy that protects you in the event that someone is injured while on your property.
- As you acquire more valuables, jewels, family heirlooms, antiques, art, you might want to consider purchasing an additional “floater” or “rider” to your policy to cover these special items. They're typically not covered by a basic homeowner's or renter's

policy. If you have a child about to go away to college who will be living in a dorm or apartment, be sure to check your home-owner's policy to see if their possessions will be covered. In many—if not most—cases, they will not be covered under your policy, and you may want to consider purchasing separate coverage.

- Importantly, know what's not covered by your policy. For example, a break in the water or septic line outside your home will typically not be covered by your homeowner's policy but can be a financial drain to repair. Specialized policies may be available to cover these situations, for example from your water or septic company.

III. Health Insurance—Growing Pains



As your family matures, its health needs change. Thus when your annual enrollment date approaches for employer-provided health insurance, recognize that you may want to alter elections or eliminate certain types of coverage, if you have the choice.

- For example, if you and your spouse have decided not to have more children, you may not be interested in a policy that covers pregnancy-related services. But note that if you decline pregnancy-related coverage and your teen-age daughter becomes pregnant, she will not be covered. If you still have young children, consider a program with a preventative care option that provides shots and “well visits.”
- Keep in mind that health insurance policies will most likely not cover some common childhood procedures and problems, such as allergy tests, braces and replacements for lost eyeglasses, contacts or retainers. Consider contributing money to a flexible spending plan, if your employer offers one, to help you put aside pretax money to cover these types of expenses.
- Know your rights and entitlements under COBRA—the Consolidated Omnibus Budget Reconciliation Act. If you lose or change your job or decide to start your own business, be sure to familiarize yourself with COBRA so that you’re clear how your family will be covered.

IV. Life Insurance—Life Line



One strategy to keep costs down for a growing family may be to take a look at term life insurance, which offers financial protection for a specified time period. For example, term life insurance is often appropriate to provide coverage during your child-rearing years or while paying off a mortgage. You may want to consider this cost-effective way to protect your family while still putting money into other investments.

- Consider the future costs of your child's college education when determining how much life insurance you need at this life stage, and remember that permanent life insurance can help to complete a college savings program that is not fully funded.
- Another option you may want to consider is purchasing a combination of term life insurance and whole life insurance.
- If you are considering purchasing an annuity—a contract with an insurance company that promises to pay a series of income payments at regular intervals in return for premiums you have paid—explore the different types of options available:
 - ✓ *Single premium*
 - ✓ *Multiple premium*
 - ✓ *Fixed*
 - ✓ *Deferred*
 - ✓ *Variable*
- Also, examine if an annuity makes sense for you in terms of your income needs. Ask if the annuity lets you tap into your principal if you should need it, or whether there are stiff penalty fees. Be sure you understand the fees associated with the annuity, as well as the special tax treatment of annuities, namely that income tax on annuities is deferred until you start receiving the income payments.

FACTORS AFFECTING LIFE INSURANCE PREMIUM

- Age
- Health
- Pre-existing or chronic health problems
- Poor health habits like smoking
- Dangerous hobbies
- Driving record
- Geographic area

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The insurance business is all about assessing risk. If you participate in high-risk activities or exhibit high-risk behaviors, insurers will treat you as a high-risk customer. They may charge you higher premiums or deny you coverage.

-The End-



This consumers' guide should be used for educational purposes only. It is not intended to provide legal advice or opinions regarding coverage under a specific insurance policy or contract; nor should it be construed as an endorsement of any product, service, person or organization mentioned in this guide.



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